



COMMONWEALTH OF PENNSYLVANIA  
OFFICE OF THE GOVERNOR  
HARRISBURG

THE GOVERNOR

February 20, 2018

Mr. Scott Hamilton  
Executive Director  
Appalachian Regional Commission  
1666 Connecticut Avenue, N.W.  
Washington, DC 20009-1068

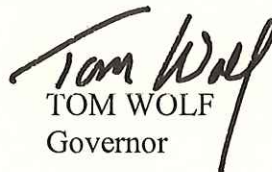
Dear Mr. Hamilton:

I am pleased to forward Pennsylvania's Fiscal Year 2018 State Strategy Statement (State Strategy). This strategy details the efforts planned by the commonwealth and our partners to reach the goals and objectives set forth in our Appalachian Regional Commission State Development Plan.

Thank you for the work of the Appalachian Regional Commission and the able staff who work with us to improve the quality of life and economic conditions in Pennsylvania's Appalachian region.

Should you have any questions related to our State Strategy, please do not hesitate to contact my State Alternate, Sheri Collins.

Sincerely,

  
TOM WOLF  
Governor

# Commonwealth of Pennsylvania

## Annual Strategy Statement for the Appalachian Regional Commission

Fiscal Year 2018

Prepared by:  
PA Department of Community and Economic Development  
Center for Strategic Partnerships  
Commonwealth Keystone Building  
400 North St, 4<sup>th</sup> Floor  
Harrisburg, PA 17120

## Section II: Challenges and Opportunities

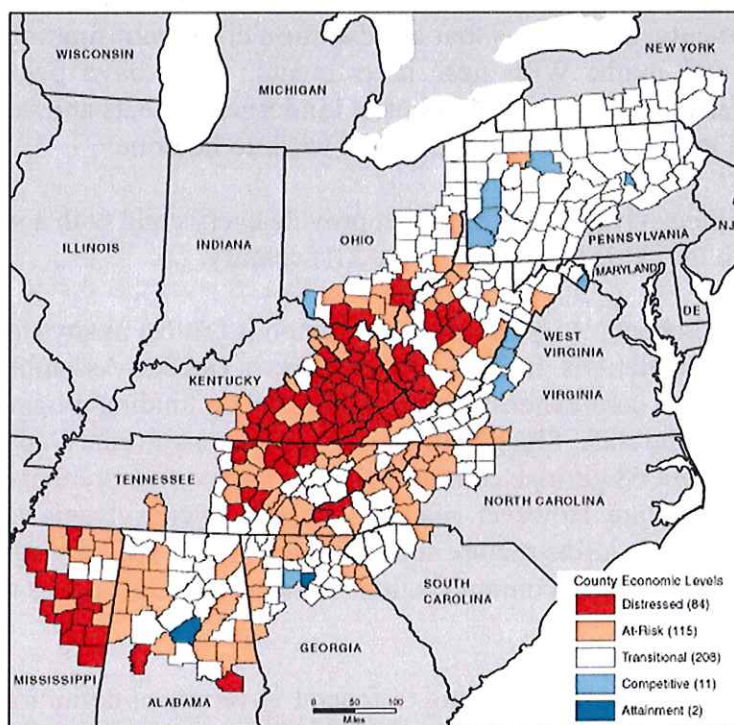
The Commonwealth of Pennsylvania is proud of our Appalachian heritage. It is a region characterized by a geography rich in natural resources such as majestic mountains, breathtaking rivers and streams, and abundant wildlife. It is also an area of tremendous cultural and historical resources as well that bring a strong sense of pride to our neighborhoods and communities.

Appalachian Pennsylvania also reflects the sense of economic resiliency that is evident in our efforts over the past 50 years to partner with the Appalachian Regional Commission (ARC) to battle the impacts of poverty, unemployment and low per capita income in many of our neediest counties and areas.

Each of our 52 Appalachian counties possess opportunities, as well as challenges, that shape the culture of each community within their borders and create a sense of pride to all who call Appalachian Pennsylvania their home.

This Fiscal Year 2018 Annual Strategy Statement is a companion to Governor Wolf's Appalachian Development Plan and outlines the Commonwealth's investment opportunities and priorities for the year.

### Pennsylvania FY18 ARC County Designations



Created by the Appalachian Regional Commission, August 2017  
Data Sources:  
Unemployment data: U.S. Bureau of Labor Statistics, LAUS, 2013–2015  
Income data: U.S. Bureau of Economic Analysis, REIS, 2015  
Poverty data: U.S. Census Bureau, American Community Survey, 2011–2015

Effective October 1, 2017  
through September 30, 2018

end of 2016), for plants with more than 200-megawatt capacity. In addition, many Pennsylvania businesses are facing sales reductions from supply chain impacts of a declining coal industry.

**The Heroin and Opioid Crisis** - The current heroin and opioid epidemic, that has affected many communities including Appalachia, is the deadliest drug crisis in American history. Overdoses, fueled by heroin and opioids, are the leading cause of death for Americans under 50 years old — killing roughly 64,000 people in 2016, more than guns or car accidents, and doing so at a pace faster than the H.I.V. epidemic did at its peak. The crisis reached new proportions in 2017, with provisional data revealing that there were 17 percent more deaths from drug overdoses. Governor Wolf has aggressively taken on the fight against heroin and opioid addiction, most recently by issuing a statewide Disaster Declaration to help those suffering from substance use disorders by getting them into treatment and improving statewide response coordination.

**Blight** - Communities across the commonwealth including Appalachia have long struggled with how to combat the challenges posed by the unoccupied, vacant buildings, and open, empty lots that constitute the growing problem of blight. Blighted properties have numerous negative effects on the communities where they exist, including: reduced property values, deterred business and economic development, increased risk of crime, and an overall adverse impact on our neighborhoods.

## **Economic Opportunities**

**Clean Energy** – Pennsylvania’s energy economy is undergoing a fundamental transformation. The Commonwealth has already seen the announced closure of at least 14 coal-fired power plants since 2010, representing a significant loss of capacity from coal-fired generation sources. However, with a balanced portfolio of energy resources, including natural gas and renewables, Pennsylvania is positioned to maximize economic opportunities.

**Advanced Manufacturing** - Placing a strong emphasis on advanced manufacturing makes sense for Pennsylvania. The manufacturing industry has long formed the foundation of Pennsylvania’s economy — a status maintained over the years through dynamic evolution to meet modern needs, and the incorporation of world-class research and development (R&D) and innovative methods. About half of all jobs supported by foreign-owned companies in Pennsylvania are in the manufacturing sector; and, manufactured goods represent much of our state’s growing exports. Recognizing this, Governor Wolf has launched a Manufacturing PA initiative to support manufacturing and link job training to career pathways to ensure that training leads to careers that provide higher pay and opportunities for advancement.

National trends and data support Pennsylvania’s belief that advanced manufacturing is a primary sector on which to focus our resources, and the nexus of our manufacturing base, strong university research network, workforce delivery system, unique global network, and natural gas availability position us for strong job growth in this sector.

**Tourism Promotion** – In addition to the growth of nature-tourism, Pennsylvania remains well-positioned to continue expanding innovative visitor experiences across the region. Expanded trail

Since taking office in 2015, Governor Wolf has made combating the heroin and opioid epidemic a priority. Working with key departments under his jurisdiction as well as with the General Assembly, he has expanded access to naloxone through a standing order and a funding initiative; helped increase the number of drug courts in the state, diverting individuals into treatment as opposed to correctional facilities; developed voluntary prescribing guidelines, signed legislation to limit prescribing of opioids to minors, regulate recovery homes, and require education in medical schools and as part of continuing education requirements for prescribers; expand education initiatives in K-12 schools, and expanded access to treatment; and revamped the commonwealth's prescription drug monitoring program. The Pennsylvania ARC will continue to support the administration and its work with the legislature to push for measures to further tighten requirements for prescribing opioids and address prevention, education, and treatment.

## **Distress Strategies**

As a result of Pennsylvania's targeted efforts over the past 50 years, we are fortunate to have avoided any current designation of Distress among any of our 52 Appalachian counties though we have significant numbers of citizens residing in ARC-defined distressed areas. We realize that county economies in rural areas are many times dependent on a small number of major employers and are therefore susceptible to changes in the local economy.

Pennsylvania will encourage project development or impact in areas or census tracts as defined by ARC where distress may be evident and proactively seek ways to further reduce higher levels of poverty, unemployment and per capita income.

## **Section IV: Processes and Policies**

### **PROJECT SOLICITATION & SELECTION**

All project pre-applications are screened initially to determine if they are eligible for funding consideration. The screening process determines consistency with the Commission's five (5) goals and reviews the pre-application for completeness, accuracy and project feasibility. This process also evaluates whether the project is consistent with Pennsylvania's objectives and strategies.

The Commonwealth will look favorably at projects that will:

- Encourage new business start-ups and job creation and those projects that will enhance the community and economic vitality of the state.
- Improve, on a continuing rather than a temporary basis, the opportunities for employment, and the average level of income or economic and social development of the area served by the project.
- Enhance individual potential –investing in individuals so they can gain skills and increase the opportunities available.
- Promote partnerships – forging new partnerships with the private sector and other public entities to enhance regional delivery of economic development services. Our partners in the economic development, education, workforce development, career and technical school and business community must be the implementers of change and the leaders of initiatives.
- Be performance-based – advancing projects evaluated by defined metrics, which provide consistent and positive returns-on-investment.
- Foster competition – increasing the level of competition for scarce resources to ensure the greatest return.

Pennsylvania supports ARC's efforts to obligate all available funds by the end of the fiscal year and will act accordingly if applications are not submitted in a timely fashion.

## **MATCHING REQUIREMENTS**

In general, the Commonwealth expects a recipient of an ARC grant to contribute its own resources to a project to the extent it is able to do so and seek additional non-ARC funding assistance in a tenacious manner. Matching funds should be identified by amount and source with evidence of assurance that such funds are available. In addition to the ARDA match requirements described in the ARC Project Guidelines, Pennsylvania's ARC participation costs will be limited to 50 percent of project costs, with the following exceptions:

Section 7.6 of the ARC Code restricts ARC assistance to 30% of eligible project costs on most projects located in an ARC designated Competitive Counties (Allegheny, Butler, Elk, Montour and Washington) except for projects noted in Section 7.6d of the code. This restriction may also be waived, or modified in accordance with the code.

Projects located in designated Distressed Counties (currently none) may be funded up to 80% of the eligible costs.

Projects located in designated At Risk Counties (Forest) may be funded up to 70% of the eligible costs.

Projects located in an ARC designated attainment county (currently none in Pennsylvania) are generally ineligible for any ARC assistance. This restriction may be waived, or modified by a demonstration in accordance with Section 7.6f of the code.

Grants funded under Section 302(a) will comply with the terms of the ARDA, which require a 50%-50% matching requirement.

Funding for work on the Appalachian Development Highway System is allowed at 100% wherever the project is located.

When funding for an access road project is under section 214, the project will be subject to the general funding limits (80% distressed, 50% transitional, and 30% competitive. When funding for an access road project is under 201 (Federal Highway Administration) the project will be funded at levels dictated by current FHWA directives. Other public and private investments are strongly encouraged, and availability may be considered when selecting projects.

Pennsylvania may use the discretionary grant authority contained in section 302 of ARDA to increase ARC participation above the statutory limits in projects implementing Regional Initiatives. The discretionary authority, however, cannot be used to eliminate the funding restrictions on projects in competitive and attainment counties. Pennsylvania may use all or a portion of its allocated authority for projects involving emergency economic distress upon approval of the Co-chair's Committee.

approved project scope by state and ARC staff. Interim monitoring will usually be done by telephone. All open construction projects will be reported to DCED by the respective LDD every 90 days.